# Unaffordable Housing 2.0

Several Democrat proposals have been introduced this Congress with the stated goal of making housing more affordable for Americans. One plan includes a new refundable tax credit for tenants, reforms to increase the housing supply, increased funding for homelessness programs, and "baby bonds," a new savings account for every American.[1] Unfortunately, while this proposal attempts to make housing more affordable, it would cause housing costs to rise — increasing the fiscal burden on the federal budget and adversely affect all Americans.

**Increasing Federal Housing Assistance Would Bust the Federal Budget.** This proposal is estimated to cost $134 billion annually, or $1.34 trillion over 10 years.[2] This high cost stems from provisions such as the refundable tax credit for tenants paying more than 30 percent of their before-tax income towards rent.[3] For these renters the refundable tax credit would cover the difference between 30 percent of their before-tax income and the total cost of rent, capped at the neighborhood fair market rate. Additionally, the plan would direct $40 billion a year to the Housing Trust Fund to build, restore, and operate rental units, provide $6 billion annually for the McKinney-Vento Homeless Assistance Grants program, and create "baby bonds," a $1,000 savings account for every American, regardless of the family's financial status.[4]



Increasing federal housing assistance, as Democrats propose, would cost: **$1.34 Trillion**
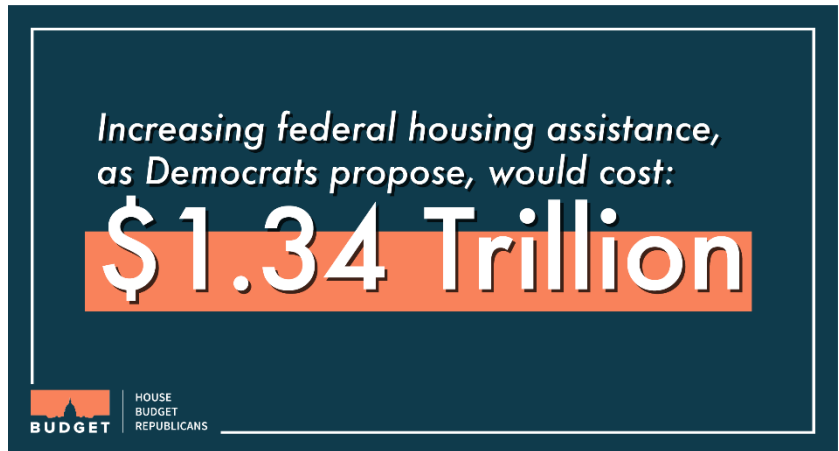
**Increasing Federal Housing Assistance is Unworkable.** In addition to its astronomical cost to taxpayers, the crux of the proposal, refundable tax credits, would provide a perverse incentive for landlords to increase housing costs. According to the Tax Foundation, the "policy would encourage people to move into units out of their price range, because the government would take on the higher bill."[5] Economists have argued that this would "put enormous upward pressure on housing prices."[6] These effects on the housing market would likely increase the cost of the program beyond the estimated amount, posing an additional burden on taxpayers.[7]

**Republican Solutions for Affordable Housing.** Rather than simply increasing funding for housing programs while promoting policies that would drastically drive up housing prices, Republicans support initiatives that reduce housing costs and target housing assistance to those most in need. Lawmakers should support policies that curtail burdensome regulations to create a more competitive housing market. Policymakers should also promote smart lending to homebuyers, make housing assistance programs more sustainable, and streamline federal programming to ensure efficient and effective use of taxpayer resources.

[1] https://republicans-budget.house.gov/budget-buster/opportunity-credits/.
[2] https://www.politico.com/story/2019/06/05/cory-booker-housing-affordability-1354841.
[3] https://medium.com/@corybooker/corys-plan-to-provide-safe-affordable-housing-forall-americans-da1d83662baa.
[4] Ibid.
[5] https://taxfoundation.org/cory-booker-rent-credit/.
[6] https://www.wsj.com/articles/cory-booker-wants-to-pay-your-rent-11560379830.
[7] https://taxfoundation.org/cory-booker-rent-credit/.